Quarterly Report 2008 Q3

LBi

Executive Summary

LBI INTERNATIONAL AB (PUBL)

EXECUTIVE SUMMARY

- Strong performance in third quarter, a period traditionally impacted by the summer holiday season.
- EBITDA came in at EUR 6.0 million, a year-on-year improvement of 51.3%
- Improved margins across the Group resulting from better cost control and improved new business conversion. Our two primary hub markets, UK and US, reported EBITDA margins of 20.4% and 24.1% for the quarter.
- Net sales in the third quarter increased by 3.9% and amounted to EUR 41.0 million (40.3) year-on-year. Quarterly growth is pressured by ongoing rebalancing of portfolio and move to higher margin retained business.
- Earnings per share in the third quarter came to EUR 0.05 (0.02).
- Execution well on track against our strategic objectives with continued focus on improving quality of earnings and cost optimization.
- LBi expects further improved operational performance in Q4.

FINANCIAL HIGHLIGHTS

EUR million	July–Sep 2008	April–June 2008	July–Sep 2007	Change[1]	At constant rates[2]	Jan–Sep 2008	Jan–Sep 2007	Change[1]	At constant rates[2]
Net sales	41.0	42.6	40.3	3.9%	8.4%	121.4	117.8	5.0%	10.0%
EBITDA[3]	6.0	6.2	4.0	51.3%	62.2%	15.7	14.2	12.7%	21.4%
EBITDA margin	14.7%	14.5%	10.1%			13.0%	12.1%		
EBIT	4.1	4.3	2.4			8.9	9.6		
Net result/profit after tax	3.0	2.8	1.3			5.1	6.7		
Earnings per share	0.05	0.05	0.02			0.08	0.11		

1) Change rates reflects year-on-year comparisons

2) Change adjusted for exchange rate fluctuations

3) Reporting of EBITDA, see page 12

The financial information provided in this report complies with statutory regulations in Sweden. SEK are used as functional currency in the LBi Group and EBITDA margins and other growth measures are calculated from SEK.
In the report the term profit after tax is used synonymously to net result.

Some statements in this report are forward-looking, and the actual outcome could be materially different. In addition to the factors explicitly discussed, other factors could have a material impact on the actual outcome. Such factors include, but are not limited to, general business conditions, fluctuations in exchange and interest rates, political developments, the impact of competitors, product development, commercialization and technological difficulties, interruptions in supply and major customer credit losses.

A word from the CEO

Even though Q3 is a quarter traditionally impacted by the holiday season, we have delivered a strong set of results. For the quarter, EBITDA came in at EUR 6.0 million on sales of EUR 41.0 million. This represents a year-on-year EBITDA improvement of 51% (62% at constant currency rates).

I am pleased with the progress we have made over the past two quarters. We are now delivering EBITDA margins of 20.4% and 24.1% in our two primary hub markets (UK and US), as a result both of better cost control and improved new business conversion. The steps that we have taken over the course of the year to institutionalize operational excellence and drive efficiency will serve us well if economic conditions continue to deteriorate. We have deliberately throttled growth in our relentless pursuit of blue chip, retained, high margin engagements and this disciplined, focused approach to new business will safeguard profits as we go into 2009. I do nevertheless believe that we can further accelerate our cost optimization programme and we will of course continue to aggressively manage our cost base in real time in response to changing market conditions.

We continue to track well against our strategic objectives. We have significantly matured our two primary hub offerings. In the United States we can now deliver a best-in-class marketing-led offer. Our dedicated media operation, digital creative agency and platform specialists are increasingly working and pitching in a fully integrated fashion. In the UK market we have significantly deepened our search engine optimization, search engine marketing, data and media capabilities. We have also rolled out a single go-to-market offering that now consistently applies in all markets and this enables us to respond faster and more effectively on cross-border pitches. The LBi rebranding has been virtually completed in all European markets (with Germany coming on stream during the quarter) and this has made it easier to leverage our global footprint in response to client needs.

Improved clarity and focus in our offer has translated into improved new business success. Key wins in the quarter include, Proximo Spirits in the US, Waterstones and HMV in the UK and IKEA, Q8 and Bayer Healthcare in Central and Southern Europe and Scandinavia. In these new engagements we meet an increasing desire to consolidate all direct response, ECRM and digital activities into a single contract. This reinforces the relevancy of our service strategy and plays to our highly differentiated position in the market place.

While we expect to deliver further improved operational performance in Q4 it is difficult to assess how current market conditions will impact 2009. The new business funnel at country level is robust but it is not yet clear how much new business activity will convert into signed orders. Spending behaviour can be differentiated by sector. There is evident contraction in both the automotive and financial wholesale services sectors but this is currently being offset by improved digital business and marketing spend in the retail/e-commerce, fast moving consumer goods and media/entertainment sectors.

In our Q4 release we expect to assess more confidently the 2009 picture as we will by this time have concluded budget negotiations across our key client base. At this point in time we remain confident that we can benefit from any prolonged period of uncertainty and we expect to capture market share with advertisers that are increasingly attracted to an ROI-led service offer.

Luke Taylor, CEO

Financial review

GROUP RESULTS

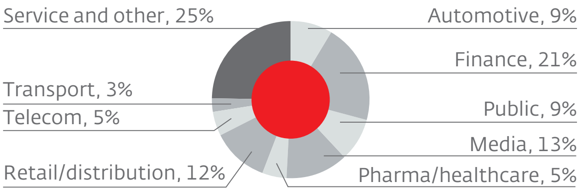
In the table below the results are adjusted for special and or one-time items, resulting in normalized results.

EUR million	July–Sep 2008 Reported	July–Sep 2007 Reported	Growth at constant rates	Jan–Sep 2008 Reported	Jan–Sep 2008 Normalized[5)]	Jan–Sep 2007 Reported	Jan–Sep 2007 Normalized	Growth at constant rates
Net sales	41.0	40.3	8.4%	121.4	121.4	117.8	117.8	10.0%
Cost of operations	–35.5	–36.3		–107.7	–107.7	–104.3	–104.3	
Other Income	0.5	0.0		2.0[1)]	0.6	0.7[4)]	0.0	
EBITDA	6.0	4.0		15.7	14.3	14.2	13.5	
EBITDA margin	14.7%	10.1%		13.0%	11.8%	12.1%	11.5%	
Depreciation	–0.9	–0.8		–3.8[2)]	–2.6	–2.1	–2.1	
Amortization	–1.0	–0.8		–3.0	–3.0	–2.5	–2.5	
EBIT	4.1	2.4		8.9	8.7	9.6	8.9	
Net financial items	–0.3	–0.2		–2.2[3)]	–1.4	–0.4	–0.4	
Tax	–0.8	–0.9		–1.6	–1.6	–2.5	–2.5	
Net profit	**3.0**	**1.3**		**5.1**	**5.7**	**6.7**	**6.0**	

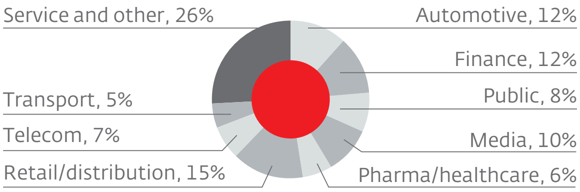
1) Other income January–September 2008 contains a EUR 1.4 million gain related to divestments of dormant entities
2) Depreciation January–September 2008 contains special items of EUR 1.2 million on write down of leasehold improvements in the UK
3) Financial items January–September 2008 contain EUR 0.8 million related to the loss on the divestment of Xie
4) Other income January–September 2007 includes a gain of EUR 0.7 million for Xie
5) Normalized results January-September 2008 are not adjusted for the Q1 EBITDA loss of EUR 1.6 million in the Netherlands

NET SALES

Sales per client vertical third quarter 2008



Sales per client vertical second quarter 2008



The development of the top line is, for this year, impacted by LBi's explicit effort to rebalance and future proof the portfolio. LBi has over the year reduced the relative exposure to the automotive and finance sectors and significantly deepened high margin strategic agency of record relationships across the key blue chip client base. LBi believes that this proactive management of the top line will serve the Group well in a more difficult economic environment.

The third quarter net sales grew by 3.9% to EUR 41.0 million compared to the same quarter last year (EUR 40.3 million). Adjusted for the negative currency exchange impact the growth was 8.4% (organic growth was –4%). Net sales for January-September 2008 grew 5,0% to EUR 121.4 million compared to the same period of 2007 (EUR 117.8 million), as a result of organic growth and the contribution of acquisitions, which was offset by the impact of a weaker pound sterling and dollar. Growth at constant rates was 10,0% (organic growth was –6%).

Gross media billings for January-September were EUR 37.0 million compared to EUR 10,9 million for the same period last year, this represents more than a 3 times increase in volume.

COST OF OPERATIONS

In the third quarter LBi continued to track well against its cost optimisation programme. Cost of operations for the third quarter were EUR 35.5 million (86.4% of net sales) compared to EUR 36.3 million (90.0%) last year. Cost of operations reached EUR 107.7 million over January–September compared to EUR 104.3 million over the same period last year. Personnel expenses (including subcontracting) for the third quarter amounted to EUR 29.6 million which is 83% of cost of operations. The costs of subcontractors in the third quarter were 12% of personnel expenses compared to 18% in the same period last year, a decline of 6% points. Personnel expenses (including subcontracting) amounted to EUR 88.4 million (82% of total cost of operations) in January–September last year. The costs of subcontractors were 12% of personnel expenses compared to 16% in January–September last year, a decline of 4% points.

EBITDA

The Group's EBITDA increased to EUR 6.0 million (14.7%) in the third quarter compared to EUR 4.0 million (10.1%) in the third quarter 2007. The July–September result for 2008 was impacted by a one time gain related to the divestment of the Candi operation in the UK (reported under other income) for EUR 0.3 million. This was fully offset by one off costs for redundancies and rent cost in the UK. The net impact on EBITDA was zero. The July–September 2007 results were not impacted by any special items.

EBITDA for January–September is EUR 15.7 million compared to EUR 14.2 million in 2007. Adjusted for special items in the first quarter normalized EBITDA ended at EUR 14.3 million over January–September compared to EUR 13.5 million last year.

DEPRECIATION AND AMORTIZATION

Depreciation for July–September was EUR 0.9 million (2.2% of net sales) compared to EUR 0.8 million (2.0%) last year. Depreciation for January–September was EUR 3.8 million and impacted by a write down of EUR 1.2 million on leasehold improvements in the UK in the first quarter. Normalized depreciation costs are therefore EUR 2.6 million (EUR 2.1 million) which is 2.1% (1.8%) of net sales.

Amortization of intangible assets for the third quarter was EUR 1.0 million compared to EUR 0.8 million last year. Amortization of intangible assets was EUR 3.0 million for January–September compared to EUR 2.5 million last year and comprises the amortization of the value of client contracts identified in acquisitions. The increase is due to the amortization on client contracts on new acquisitions notably Special Ops, which was acquired in April 2008.

NET FINANCIAL ITEMS

Net financial items for the third quarter amount to EUR 0.3 million compared to EUR 0.2 million last year. The interest cost for the quarter amounts to EUR 0.7 million compared to EUR 0.2 last year. The increase is due to higher debt which is used to finance the recent acquistions. Net financial items over January–September included the loss on the sale of the minority investment in XIE for an amount of EUR 0.8 million. Interest cost (mainly related to the Danske Bank facilities) amounted to EUR 2.0 million over January–September compared to EUR 0.7 million last year.

TAXES

The Swedish government plans to cut the corporate income tax rate from 28% to 26.3% per 1 Januray 1 2009. If this plan is adopted the Group's deffered tax assets would have to be written down by EUR 2.5 million in the fourth quarter. Most likely this will be more than offset by capitalizing new deferred tax assets regarding old tax losses that have not been recognized before and now fullfill the criteria for capitalization.

Tax cost for the third quarter was EUR 0.8 million (0.9) implying a tax rate of 23.5%. Most of the tax costs in the third quarter relate to the use of deferred tax assets recognized in prior years. The actual cash-out impact is minimal. Tax cost for January–September was EUR 1.6 million (EUR 2.5 million). The profit before tax over January–September reached EUR 6.6 million (EUR 9.2 million) which means an effective tax rate of 23.7% (27.0%).

NET PROFIT AND EARNINGS PER SHARE

Profit after tax for the third quarter was EUR 3.0 million compared to EUR 1.3 million last year. Profit after tax for January–September amounted to EUR 5.1 million (EUR 6.7 million) resulting in earnings per share of EUR 0.08 (EUR 0.11). Shareholders' equity per share was EUR 3.38 as of 30 September. The company had 62,023,276 registered shares as of 30 September 2008.

The Company has an employee stock option programme. As per 30 September, the total number of options outstanding was 4, 760,639 entitling to acquire up to 3,111,389 shares. In the quarter 837,000 new options, entitling an equal amount of shares, were granted.

WORKING CAPITAL

Working capital (excluding cash) by the end of September amounted to EUR 51.7 million compared to EUR 38.8 million by the end of last year. The increase is due to the new acquisitions in the second half year 2007 and the first quarter 2008. Days Sales Outstanding (DSO) by end of September amounts to 86 days compared to 77 days by end of December last year, an increase of 9 days. A focus on active working capital management throughout the Group has reduced DSO over the year but as the third quarter traditionally is impacted by the summer holiday season, this resulted in an increase of the total DSO.

DSO of accounts receivable (including unbilled revenue) by end of September was 80 days (compared to 107 days end of last year).

In order to finance its working capital, the Group has got a working capital credit line with Danske Bank of EUR 10 million available to use by all group companies. This credit line is attached to the Group cash pool. By the end of September, an amount of EUR 2.6 million was used (presented under short term interest bearing liabilities).

GOODWILL

Goodwill in the balance sheet amounts to EUR 180.6 million per 30 September compared to EUR 149.6 million by end of December 2007. The increase is mainly due to the acquisitions of Netrank and Special Ops and exchange rate fluctuations.

The equity/assets ratio ended at 61.2%.

NET DEBT AND FINANCING

The net debt by end of September amounts to EUR 25.5 million compared to EUR 0.9 million end of last year.

The Group has financed the acquisition of Special Ops and earlier on Netrank with debt and cash to avoid dilution to its shareholders. The Group has a financing arrangement with Danske Bank for an acquisition line amounting to a total of EUR 45 million of which by end of September EUR 36.0 million was used.

EARN OUT PROVISION

The remaining provision for unpaid considerations of acquisitions (earn out dependant on future profitability targets) amounts to EUR 49.9 million by end of September of which EUR 18.9 million will fall due within 1 year (presented under short term non interest bearing liabilities). The company has the option to settle earn out obligations in shares or cash.

By year-end the Group will revalue its earn-out commitments based on the realized performance and future outlook of the acquired companies that are under an earn-out. The Group has valued its commitments conservatively at acquisition dates, meaning that the provision was calculated assuming maximum performance of the acquired company. It is expected that the earn-out provision (and corresponding goodwill) by year-end will be adjusted downwards with an amount in the range of EUR 6–10 million. There will be no P&L impact.

CASH FLOW

Operational cash flow for January-September was EUR 6.5 million (EUR 8.9 million). Cash flow was impacted by an increase in working capital due to the summer season. There is further room for improvement into next quarters. The Group continues to put focus on cash flow management especially considering the current financial climate. LBi expects to increase the cash conversion ratio (measured as operational cash flow to EBITDA) in the fourth quarter.

Operational review by region

GROUP

LBI International AB's operations are located in the UK, Sweden, Denmark, Germany, Netherlands, Switzerland, Italy, Spain, Belgium, the US, India and France. LBi has an organization reporting in accordance with the country/regional segments: UK (including India), Scandinavia, Central and Southern Europe and the US. Key hub markets are UK and US. Asia is anticipated to evolve into a third key hub market.

The LBi Group has a total of about 1,650 people in 23 offices. After the merger between Framfab and LB Icon in 2006, the Group was rebranded to LBi. It is anticipated that all business units will operate as LBi by the end of this year with the exception of the branding agency MetaDesign in Germany.

LBI International AB is listed on the Nasdaq OMX Nordic Exchange in Stockholm and on NYSE Euronext in Amsterdam. The share has the LBI ticker symbol on both exchanges.

UK

The UK operations also include operations in India (included in the reporting as from 1 April 2007). The search engine optimization (SEO) capability of Netrank, which was acquired in January 2008, is fully integrated into UK operations full-service mix.

LBi UK reports decreased sales, but increased profitability (margin). The development of the top line is negatively impacted by the decrease in spend from clients most notably in the financial services sector, however, recent new business success within other sectors such as HMV, Waterstones and easyCar gives confidence that tightened budgets will not immediately affect digital marketing spend. In response to the more difficult circumstances the cost base will be managed down. UK key client wins during the quarter include:

British Gas – Generation Green, an environmental games project, targeting schools, teachers and local communities, which is already proving to be a huge success: over 5000 schools have already signed up to the scheme.

HMV – a social networking project for high street record and entertainment retailer HMV. getcloser.com aims to bring people closer to their favourite music and film and will help drive sales from a digital perspective.

Waterstones – digital advertising and web development account, starting with a redesign of the corporate website with a specific focus on design and e-commerce functions.

BT Retail – LBi UK was appointed strategical digital AOR.

Easycar – pan-European online strategy assigment to improve the site's search engine ranking in the UK and across Europe, as well as increasing the volume and quality of traffic continue.

LBi UK reported net sales of EUR 10.4 million (13.6) and EBITDA of EUR 2.1 million (2.0) in the third quarter. The results were impacted by special items of EUR 0.3 million, related to the divestment of the Candi operation (reported under other income). The divestment is in line with LBi's strategic objectives to focus on cost optimisation and business conversion as performance of Candi operations is consistently below target margin threshold. The annualized revenues of the operation amounts to approximately to EUR 2 million. The gain of the divestment was fully offset by one off costs for redundancies and rent cost in the UK. The net impact on EBITDA was zero.

The EBITDA margin was 20.4% up from 14.9% year-on-year. UK operations generated 25% of total Group sales in the third quarter 2008. Employees numbered 476 on 30 September, as opposed to 430 at the end of 2007.

EUR million	Juli–Sep 2008	Juli–Sep 2007	Change	At constant rates	Organic growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	10.4	13.6	–21.9%	–11.5%	–14.2%	32.8	41.9	–20.3%	–9.6%	–13.1%
EBITDA	2.1	2.0	6.9%	21.2%		5.9	6.1	–1.4%	11.8%	
EBITDA margin	20.4%	14.9%				18.1%	14.6%			
EBIT*	1.8	2.0				4.0	5.5			
No. of employees	476	428				476	428			

* Operating earnings before management fee . EBIT in first nine months 2008 is impacted by write down of EUR 1.2 million on leasehold improvements. Normalized EBIT is EUR 5.2 million.

CENTRAL AND SOUTHERN EUROPE

This region includes LBi operations in the Netherlands, Germany, Belgium, Italy, Switzerland, Spain and France.

Central and Southern Europe delivered a strong third quarter due in part to operations in Netherlands being on track again with the Satama organization fully integrated.

The strong third quarter result can be attributed to an outperforming MetaDesign operation for the third quarter in a row, fuelled by the successful roll out of the Volkswagen dealerships in China. The search engine marketing business in the LBi Berlin office continued to be on stream and contributed according to plan to the Q3 result. All operations in Germany (with the exception of the branding agency MetaDesign) have completed the LBi rebranding during the quarter .

Key client wins during the quarter include:

Alfa Romeo – with a campaign site supporting the launch of new model Alfa Mito and 250 interactive totems for this top client which will be placed in dealer shops to help drive sales.

Bayer Healthcare worldwide - the global deployment of Yahoo! Analytics.

Start of promising long term relationships with Nuon, Q8 Petroleum and Toyota Motor Europe.

The Central and Southern Europe operations generated 45% of total Group sales in January-September 2008. Employees numbered 724 on 30 September, as opposed to 702 at the end of 2007. Net sales in the third quarter 2008 were EUR 18.6 million (15.8). The July–September 2008 EBITDA was EUR 2.7 million (1.8), while the EBITDA margin was 14.3% up from 11.6% year-on-year.

EUR million	July–Sep 2008	July–Sep 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	18.6	15.8	20.4%	18.2%	2.8%	54.6	45.1	23.2%	20.9%	2.3%
EBITDA	2.7	1.8	48.5%	45.8%		5.7	6.2	–6.9%	–8.7%	
EBITDA margin	14.3%	11.6%				10.4%	13.8%			
EBIT*	2.2	1.2				4.3	4.9			
No. of employees	724	644				724	644			

* Operating earnings before management fee .

EBIT and EBITDA for the first nine months of 2007 were impacted by gain on Xie of 0.7 million. Normalized EBITDA and EBIT were EUR 5.5 and 4.2 million respectively.

UNITED STATES

The US offices (3 in New York and one in Atlanta) have combined as a one-stop-shop that delivers best-in-class marketing strategy, media planning & buying and website design & build services across a number of LBi's tier one US clients.

Key client wins during the quarter include:

Proximo Spirits – digitial AOR for Creative, Media Planning and Online PR.

MD – the assignment to redesign the site experience for WebMD, the number one online resource in the U.S. for medical information.

New US key client is also FleetCor, a global leader in auto fleet credit card processing. LBi's engagement as AOR includes brand and interactive strategy, web design and development, as well as customer acquisition, awareness and retention programmes.

US operations generated 21% of total Group sales in January–September 2008. Employees numbered 263 on 30 September, as opposed to 164 at the end of 2007. US operations reported net sales in the third quarter of EUR 8.7 million (6.7). EBITDA was EUR 2.0 milllion (1.1) and the EBITDA margin was 24.1% up from 15.9% year-on-year.

EUR million	July–Sep 2008	July–Sep 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	8.7	6.7	31.8%	46.3%	7.4%	22.0	14.6	53.7%	70.6%	5.9%
EBITDA	2.0	1.1	100.4%	122.4%		4.7	2.5	93.5%	114.8%	
EBITDA margin	24.1%	15.9%				21.2%	16.8%			
EBIT*	2.1	1.0				4.5	2.4			
No. of employees	263	169				263	169			

* Operating earnings before management fee .

SCANDINAVIA

Scandinavian operations consist of offices in Denmark and Sweden.

Scandinavian operations recovered slightly from the first half year but are still under pressure as several larger Nordic clients are cutting budgets as a consequence of increased economic uncertainty. The slowdown on the Nordic market can over time be counterbalanced by the LBi Group strategy to funnel clients via the UK, to make full use of the extraordinary good technical and creative skills in Denmark and Sweden and benefit from the lower cost rates. In response to the difficult circumstances management was able to manage the cost base down to ensure that the region delivers adequate margins.

Key client wins during the quarter include: Telenor, DnBNor (Norway's largest financial service group), Cervera, a cookware and cutlery retailer, and IKEA. Scandinavian operations generated 9% of total Group sales in January–September 2008. Employees numbered 172 on 30 September, as opposed to 192 at the end of 2007.

Net sales were EUR 3.7 million (4.7) in the third quarter 2008. EBITDA was EUR 0.6 million as opposed to EUR 0.7 million in 2007. The EBITDA margin was 15.6 % up from 15.0% year-on-year.

EUR million	July–Sep 2008	July–Sep 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	3.7	4.7	–18.2%	–18.9%	–18.6%	13.1	16.7	–20.3%	–20.7%	–20.7%
EBITDA	0.6	0.7	–15.1%	–15.1%		2.4	3.7	–33.0%	–33.4%	
EBITDA margin	15.6%	15.0%				18.5%	22.1%			
EBIT*	0.5	0.7				2.3	3.6			
No. of employees	172	190				172	190			

* Operating earnings before management fee .

PARENT COMPANY

Net sales for the first nine months totalled EUR 2.0 million (1.6) of which EUR 2.0 million (1.6) was for internal invoicing. The loss after financial items was EUR –1.1 million (–1.3). External net financial debt was EUR 47.3 million (11.3).

PARENT COMPANY AND ELIMINATION

EUR million	July–Sep 2008	July–Sep 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	–0.4	–0.5				–1.0	–0.5			
EBITDA	–1.5	–1.6				–3.0	–4.3			
EBITDA margin										
EBIT*	–2.5	–2.3				–6.3	–6.8			
No. of employees	13	11				13	11			

* Operating earnings before management fee .

EBITDA and EBIT in first nine moths of 2008 were impacted by a non cash gain of EUR 1.4 million related to divestments.

TOTAL

EUR million	July–Sep 2008	July–Sep 2007	Change	At constant rates	Organic Growth	YTD 2008	YTD 2007	Change	At constant rates	Organic Growth
Net sales	41.0	40.3	3.9%	8.4%	–3.9%	121.4	117.8	5.0%	10.0%	–5.9%
EBITDA	6.0	4.0	51.3%	62.2%		15.7	14.2	12.7%	21.4%	
EBITDA margin	14.7%	10.1%				13.0%	12.1%			
EBIT*	4.1	2.4				8.9	9.6			
No. of employees	1,648	1,442				1,648	1,442			

* Operating earnings before management fee .

Accounting policies

This interim report has been prepared in compliance with IAS 34, Interim Financial Reporting, which adheres to Recommendation 31, Interim Financial Reporting for Groups, of the Swedish Financial Accounting Standards Council. The annual report for 2007 describes the accounting policies employed in this interim report.

REPORTING OF MEDIA SALES

As per the third quarter 2007, the Group changed its reporting of sales from gross to net. The service offering of LBi includes an increasing amount of media services. Media services include for example measurement and analytics which are purchased from third party service providers.

According to IFRS, these external services and other third party services can in LBi's case be reported on a gross or net basis. LBi has decided to change the accounting principles from gross to net basis as of 1 July 2007. In the net basis principle, only the mark-up portion of media services is included in net sales. The financial information for earlier periods in 2007 and 2006 has been adjusted to comply with the new accounting principles for media sales. Historical finacial data per segment for 2006 and 2007 have been disclosed in a separate press release on 1 February 2008.

The change of accounting principles from gross to net will give a more true view of the LBi Group's performance and will also give a better comparison to other companies in the media sector.

REPORTING OF EBITDA

In order to make the results and performance better comparable with competitors, the company has started to put more focus on EBITDA rather than EBIT. The tables in the financial reports now include EBITDA numbers and margins next to EBIT.

For the analysis of the operational performance per segment, EBITDA is a better measure than EBIT since it excludes the amortization (on client relationships) in acquistions.

RISKS – *this section has been added to comply with new directives on financial reporting.*

LBi is exposed to a number of risks that can affect the Group's earnings and financial position to one degree or another.

- Dependency on major clients.
  A substantial part of LBi's sales are derived from major international clients. There is no absolute guarantee that one or more of these clients might not choose another supplier or reduce the use of the Group's services in the future in which case the Group's business, result of operations and financial condition could be negatively affected.
- Market and competition.
  LBi does business in a highly competitive market. Failure to satisfy client demands and remain competitive could be detrimental to the Group's operations, earnings and financial position.
- Digital media trends and reliance on skilled employees.
  LBi must pioneer innovative, interactive digital solutions, thereby ensuring profitable strategic cooperations with its clients. Loss of the ability to spearhead developments and recruit the best people available could be detrimental to profitability.

For a full description of the risks meeting LBi, see the annual report for 2007.

Calendar and contacts

CALENDAR

- The Year-end report for January–December 2008 will be released on 12 February 2009
- The AGM 2009 will take place on 6 May 2009 in Stockholm

This quarterly report provides a true and fair representation of the operations, financial position, sales and earnings of the Parent Company and the Group, as well as describing the significant risks and uncertainties to which the Parent Company and the Group are exposed.

Stockholm, 23 October 2008

Katarina G. Bonde	Michiel Mol
Fred Mulder Chairman of the Board	Robert Pickering
Luke Taylor President and CEO	Lucas Mees

The company's auditors have not reviewed this report.

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ABOUT LBI

LBi is a global marketing and technology agency. The Company employs approximately 1,650 professionals located primarily in the major European, American and Asian business centers; such as Amsterdam, Atlanta, Berlin, Brussels, London, Milan, Mumbai, New York, Paris and Stockholm. LBi blends the full range of service disciplines to create innovative multichannel solutions for national and international corporate clients. By combining business and media strategy development with creative design, industry expertise and the latest digital communications technology, LBi offers a unique , and uniquely valuable proposition. LBi is listed on Nasdaq OMX in Stockholm and NYSE Euronext in Amsterdam (symbol: LBI).

Summary of income statements

EUR million	July–Sep 2008	July–Sep 2007	Jan–Sep 2008	Jan–Sep 2007	Jan–Dec 2007
Net sales	41.0	40.3	121.4	117.8	154.5
Production expenses	–27.3	–27.8	–83.9	–80.9	–108.7
Gross margin	**13.7**	**12.5**	**37.5**	**36.9**	**45.8**
Selling expenses	–2.3	–2.0	–6.9	–6.1	–8.2
Administrative expenses	–7.8	–8.1	–23.7	–21.9	–28.3
Other operating income/expenses	0.5	0.0	2.0	0.7	0.9
Operating profit/loss	**4.1**	**2.4**	**8.9**	**9.6**	**10.2**
Net financial items	–0.3	–0.2	–2.3	–0.4	–1.9
Profit/loss after financial items	**3.8**	**2.2**	**6.6**	**9.2**	**8.3**
Tax	–0.8	–0.9	–1.5	–2.5	2.7
Profit/loss for the period	**3.0**	**1.3**	**5.1**	**6.7**	**11.0**
Of which attributable to:					
Parent company's shareholders	3.0	1.3	5.1	6.6	10.9
Minority interests	0.0	0.0	0.0	0.1	0.1
Profit/loss for the period	**3.0**	**1.3**	**5.1**	**6.7**	**11.0**
Earnings per share, EUR	0.05	0.02	0.08	0.11	0.18
Earnings per share after dilution, EUR	0.05	0.02	0.08	0.11	0.18

Summary of balance sheets

EUR million	30 Sep 2008	30 Sep 2007	31 Dec 2007
Assets			
Intangible assets	195.9	141.2	163.9
Tangible assets	12.2	6.0	6.7
Financial assets	51.7	57.1	56.5
Total non-current assets	**259.8**	**204.3**	**227.1**
Trade accounts receivable	48.4	39.2	43.8
Other current assets	22.1	20.3	15.3
Liquid assets	13.9	17.5	22.9
Total current assets	**84.4**	**77.0**	**82.0**
Total assets	**344.2**	**281.3**	**309.1**
Liabilities and shareholders' equity			
Shareholders' equity [1]			
Attributable to parent company's shareholders	209.2	213.4	213.0
Attributable to minority interests	0.1	0.1	0.1
Total shareholders' equity	**209.3**	**213.5**	**213.1**
Long-term interest-bearing liabilities	28.4	8.0	17.2
Long-term non-interest-bearing liabilities	35.6	21.4	32.3
Short-term interest-bearing liabilities	11.0	1.1	6.6
Short-term non-interest-bearing liabilities	59.9	37.3	39.9
Total liabilities	**134.9**	**67.8**	**96.0**
Total liabilities shareholders' equity	**344.2**	**281.3**	**309.1**
[1] Shareholders' equity			
At beginning of the period	213.1	210.3	210.3
Stock options	0.5	0.9	1.6
Tax	0.2	0.1	0.0
Translation differences	−9.6	−4.5	−9.8
Profit/loss for the period	5.1	6.7	11.0
At end of period	209.3	213.5	213.1

Summary of cash flow statements

EUR million	July–Sep 2008	July–Sep 2007	Jan–Sep 2008	Jan–Sep 2007	Jan–Dec 2007
Cash flow from operations	5.6	3.3	12.4	12.5	13.9
Changes in working capital	–2.4	5.7	–5.9	–3.6	0.3
Cash flow from operating activities	3.2	9.0	6.5	8.9	14.2
Acquisition/divestment of subsidiaries	–0.1	–4.4	–19.8	–13.1	–28.6
Cash flow from other investing activities	–1.9	–3.1	-9.8	–5.0	–0.8
Cash flow before financing	1.2	1.5	–23.1	–9.2	–15.2
Cash flow from financing activities	0.4	2.1	14.8	6.8	18.9
Cash flow for the period	**1.6**	**3.6**	**–8.3**	**–2.4**	**3.7**
Liquid assets at beginning of the period	13.3	14.2	22.9	20.5	20.5
Translation differences in liquid assets	–1.0	–0.3	–0.7	–0.6	–1.3
Liquid assets at end of the period	**13.9**	**17.5**	**13.9**	**17.5**	**22.9**

Quarterly income statements

EUR million	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
Net sales	41.0	42.6	37.8	36.6	40.3	40.4	37.2	35.6
Costs of operation	–35.5	–36.5	–35.6	–34.2	–36.3	–34.8	–33.3	–31.2
Other income	0.5	0.1	1.4	0.1	0.0	0.0	0.7	0.4
EBITDA	**6.0**	**6.2**	**3.6**	**2.5**	**4.0**	**5.6**	**4.6**	**4.8**
Depreciation	–0.9	–0.8	–2.0	–0.9	–0.8	–0.7	–0.6	–0.7
Amortization	–1.0	–1.1	–1.0	–1.0	–0.8	–0.8	–0.9	–0.8
EBIT	**4.1**	**4.3**	**0.6**	**0.6**	**2.4**	**4.1**	**3.1**	**3.3**
Net financial items	–0.3	–0.7	–1.4	–1.5	–0.2	0.0	–0.2	0.3
PBT	**3.8**	**3.6**	**–0.8**	**–0.9**	**2.2**	**4.1**	**2.9**	**3.6**
Tax	–0.8	–0.8	0.1	5.2	–0.9	–0.8	–0.8	1.0
Net profit/loss	**3.0**	**2.8**	**–0.7**	**4.3**	**1.3**	**3.3**	**2.1**	**4.6**

Key ratios

EUR million	Juli–Sep 2008	Juli–Sep 2007	Jan–Sep 2008	Jan–Sep 2007	Jan–Dec 2007
Change in net sales	3.9%	14.7%	5.0%	4.5%	4.3%
Operating margin	9.9%	6.0%	7.3%	8.1%	6.6%
Profit margin	7.1%	3.3%	7.3%	5.7%	7.1%
Equity/assets ratio	61.2%	75.9%	61.2%	75.9%	69.0%
Average no. of employees	1 645	1 429	1 612	1 396	1 415
No. of employees at end of the period	1 648	1 442	1 648	1 442	1 500
Sales per employee (EUR, thousand) [1]	100	113	101	113	109
Sales per employee (EUR, thousand) [2]	107	119	107	117	113
No. of shares at end of the period (thousand)	62,023	62,017	62,023	62,017	62,017
No. of shares after dilution (thousand)	62,033	63,518	62,978	63,518	62,330
Average no. of shares (thousand)	62,023	61,862	62,020	61,760	61,826
Average no. of shares after dilution (thousand)	62,024	62,129	62,229	62,125	62,345
Shareholders' equity per share (EUR)	3.37	3.44	3.37	3.44	3.43
Shareholders' equity per share after dilution (EUR)	3.32	3.36	3.32	3.36	3.43
Cash flow per average no. of shares	0.03	0.06	-0.13	–0.04	0.06

[1] Annual rate
[2] Excluding India

Parent Company

SUMMARY OF INCOME STATEMENTS

EUR million	Jan–Sep 2008	Jan–Sep 2007	Jan–Dec 2007
Net sales	2.0	1.6	2.2
Production expenses	–	–	–
Gross margin	**2.0**	**1.6**	**2.2**
Selling expenses	–	–	–
Administrative expenses	–3.0	–2.8	–5.3
Other operating income/expenses	–	–	–
Operating profit/loss	**–1.0**	**–1.2**	**–3.1**
Net financial items	–0.1	–0.1	–1.6
Profit/loss after financial items	**–1.1**	**–1.3**	**–4.7**
Tax	–	–	0.2
Profit/loss for the period	**–1.1**	**–1.3**	**–4.5**

SUMMARY OF BALANCE SHEETS

EUR million	30 Sep 2008	30 Sep 2007	31 Dec 2007
Assets			
Intangible assets	0.3	0.5	0.5
Tangible assets	0.0	0.0	0.1
Financial assets	128.6	136.1	128.1
Total non-current assets	**128.9**	**136.6**	**128.7**
Trade accounts receivable	0.1	0.2	0.2
Receivables from group companies	43.8	17.5	23.8
Other current assets	0.4	1.1	1.3
Liquid assets	1.8	0.0	7.6
Total current assets	**46.1**	**18.8**	**32.9**
Total assets	**175.0**	**155.4**	**161.6**
Liabilities and shareholders' equity			
Shareholders' equity [1]	**109.2**	**118.9**	**113.6**
Long-term interest-bearing liabilities	27.7	7.4	16.6
Long-term non-interest-bearing liabilities	0.3	3.6	2.8
Short-term interest-bearing liabilities	21.4	3.9	6.0
Liabilities to group companies	13.6	18.2	19.6
Short-term non-interest-bearing liabilities	2.8	3.4	3.0
Total liabilities	**65.8**	**36.5**	**48.0**
Total liabilities and shareholders' equity	**175.0**	**155.4**	**161.6**
[1] Shareholders' equity			
At beginning of the period	113.6	121.9	121.9
Issue of new shares	–	0.9	1.1
Group contribution	–	–	0.7
Tax on group contribution	–		–0.2
Translation difference	–3.3	–2.6	–5.4
Profit/loss for the period	–1.1	–1.3	–4.5
At end of period	109.2	118.9	113.6